ELIAS MOTSOALEDI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

General Information

Legal form of entity	Local Municipality
Mayor	Cllr WM Matemane
Executive Mayor	
Councillors	Cllr R Alberts
	Cllr MZ Buta
	Cllr RSA Kabinie
	Cllr JP Kotze
	Cllr TJ Lepota
	Cllr MF Madihlaba
	Cllr VP Madondo
	Cllr MM Maepa
	Cllr AB Mahlangu
	Cllr J Mahlangu
	Cllr MD Mahlangu
	Cllr NN Mahlangu
	Cllr TS Mahlangu
	Cllr KS Mahlase
	Cllr ME Makitla
	Cllr MN Malatji
	Cllr MS Malekane
	Cllr AM Maloba
	Cllr DS Mamaila
	Cllr MS Marapi
	Cllr MS Maselela
	Cllr EM Masemola
	Cllr HS Mashifane
	Cllr MS Mashilo
	Cllr WM Matemane
	Clr MG Mathabathe
	Cllr SM Mathale
	Cllr JL Mathebe
	Cllr SE Mathebe
	Cllr GD Matjomane
	Cllr MS Matlala
	Cllr CD Matsepe
	Cllr TS Matsepe
	Cllr MP Matshipa
	Cllr ST Matsomane
	Cllr Sh Mehlape
	Cllr CT Mhlanga
	Cllr I Mkhaliphi
	Cllr TN Mmutle
	Cllr W Moganedi
	Cllr FM Mogtji
	Cllr MJ Mohlala
	Cllr MP Mokgabudi
	Cllr MT Mokganyetji

General Information

	Cllr OE Motau Cllr MG Motlafe Cllr DM Mzinyane Cllr ME Nduli Cllr SF Nkosi Cllr TJ Ntuli Cllr TM Phahlamohlaka Cllr ML Phala Cllr A Phatlane Cllr RJ Podile Cllr JJ Skosana Cllr SL Skosana Cllr SO Somo Cllr MD Tladi Cllr LH Tshoma Cllr MS Tshoma
Grading of local authority	Medium Capacity Municipality
Chief Finance Officer (CFO)	Mr R Palmer (Acting)
Accounting Officer	Mr M Kgwale (Acting)
Business address	Civic Centre Groblersdal 0470
Postal address	PO Box 48 Groblersdal 0470
Bankers	ABSA Bank Limited
Auditors	Auditor General Polokwane

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 55, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Mr M Kgwale (Acting)
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 35 358 442 (2010: surplus R 78 800 325).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr M Kgwale (Acting)

6. Bankers

The municipality banks primarily with ABSA Bank Limited.

7. Auditors

The Auditor General Polokwane will continue in office for the next financial period.

8. Public Private Partnership

In accordance with the Public Private Partnership agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	5	1 733 913	1 671 786
Trade and other receivables from exchange transactions	6	425 181 111	445 601 971
VAT receivable	7	4 974 911	11 019 472
Consumer debtors	8	8 285 196	6 938 167
Cash and cash equivalents	9	34 649 871	50 737 002
		474 825 002	**515 968 398**
Non-Current Assets			
Investment property	2	17 927 400	17 927 400
Property, plant and equipment	3	648 579 416	565 592 848
		666 506 816	**583 520 248**
Total Assets		**1 141 331 818**	**1 099 488 646**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	18 344 583	16 035 317
Consumer deposits	14	3 031 424	2 805 377
Unspent conditional grants and receipts	11	1 108 335	693 298
		22 484 342	**19 533 992**
Non-Current Liabilities			
Other financial liabilities	10	2 764 323	2 786 004
Retirement benefit obligation	4	20 989 322	17 513 894
Long service leave provisions	12	1 345 952	1 265 319
		25 099 597	**21 565 217**
Total Liabilities		**47 583 939**	**41 099 209**
Net Assets		**1 093 747 879**	**1 058 389 437**
Net Assets			
Accumulated surplus		1 093 747 879	1 058 389 437

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	16	10 705 580	10 735 965
Service charges	17	42 320 489	33 598 508
Rental of facilities and equipment		683 186	1 328 837
Traffic Fines		2 408 020	658 290
Licences and permits		4 267 692	5 053 285
Government grants & subsidies	18	128 528 257	143 673 000
Other income		2 708 508	6 053 759
Interest received	25	5 736 659	6 558 629
Total Revenue		**197 358 391**	**207 660 273**
Expenditure			
Personnel	22	(58 102 775)	(40 670 789)
Remuneration of councillors	23	(11 037 762)	(11 456 657)
Administration		(2 039 345)	(397 140)
Depreciation and amortisation	26	(18 275 361)	(19 443 904)
Finance costs	27	(277 125)	180 877
Debt impairment	24	(3 159 544)	(4 839 680)
Repairs and maintenance		(7 592 972)	(3 789 887)
Bulk purchases	30	(29 029 167)	(20 606 485)
Grants and subsidies paid	29	(2 368 998)	(3 458 545)
General Expenses	20	(28 286 786)	(25 034 516)
Total Expenditure		**(160 169 835)**	**(129 516 726)**
(Loss)/gain on actuarial valuation - Health Care Benefits		(1 884 652)	698 502
(Loss)/gain on actuarial valuation - Long Service Benefits		54 538	(41 724)
Surplus/(deficit) for the year		**35 358 442**	**78 800 325**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	943 827 107	943 827 107
Adjustments		
Fundamental errors affecting net assets	53 442 161	53 442 161
Change in accounting policy	(17 680 156)	(17 680 156)
Balance at 01 July 2009 as restated	**979 589 112**	**979 589 112**
Changes in net assets		
Surplus for the year	78 800 325	78 800 325
Total changes	78 800 325	78 800 325
Opening balance as previously reported	1 019 000 612	1 019 000 612
Adjustments		
Fundamental errors affecting net assets	57 068 981	57 068 981
Change in accounting policy	(17 680 156)	(17 680 156)
Balance at 01 July 2010 as restated	**1 058 389 437**	**1 058 389 437**
Changes in net assets		
Surplus for the year	35 358 442	35 358 442
Total changes	35 358 442	35 358 442
Balance at 30 June 2011	**1 093 747 879**	**1 093 747 879**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		51 488 385	35 444 567
Grants		128 943 294	144 366 299
Interest income		5 736 659	6 558 629
		186 168 338	186 369 495
Payments			
Employee costs		(69 140 539)	(52 127 447)
Suppliers		(29 724 086)	(63 847 982)
Finance costs		(277 125)	180 877
		(99 141 750)	(115 794 552)
Net cash flows from operating activities	31	**87 026 588**	**70 574 943**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(101 261 928)	(61 617 092)
Cash flows from financing activities			
Repayment of other financial liabilities		(1 851 795)	1 404 375
Net cash flows from financing activities		**(1 851 795)**	**1 404 375**
Net increase/(decrease) in cash and cash equivalents		**(16 087 135)**	**10 362 226**
Cash and cash equivalents at the beginning of the year		50 737 002	40 374 774
Cash and cash equivalents at the end of the year	9	**34 649 867**	**50 737 000**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

1.1 Significant judgements and sources of estimation uncertainty (continued)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 4.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Accounting Policies

1.2 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The fair value of investment properties has not been reviewed as the municipality have applied the transitional provisions as set out in Directive 4. The municipality is in the process of determining the the fair value of all its investment properties. A service provider was acquired to assist with the process.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.3 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	20 - 25 years
Plant and machinery	2 - 15 years
Furniture and fixtures	3 - 10 years
Motor vehicles	3 -10 years
Office equipment	3 - 10 years
IT equipment	3 - 6 years
Computer software	3 - 6 years
Infrastructure	2 - 100 years
Community	5 - 25 years
Other property, plant and equipment	5 - 25 years
Other equipment	5- 25 years
Asset found	10 years
Capital work in progress	Not Depreciated
Minor plant	5 years
Specialised vehicles	10 years
Tools and loose gear	5 years
Heritage	50 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

1.4 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

1.4 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Accounting Policies

1.5 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.6 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation / (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation / (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

1.8 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goodsor services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.8 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.8 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.8 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.8 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.8 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.9 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

Decommissioning, restoration and similar liability

1.9 Provisions and contingencies (continued)

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount, and account for any impairment loss, in accordance with the amounting policy on impairment of assets as described in accounting policy 1.7 and .

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

1.10 Revenue from exchange transactions (continued)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.10 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

Accounting Policies

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of ‘‘unauthorised expenditure’’.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.18 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.25 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Accounting Policies

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Comparative information is not required.

1.26 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	17 927 400	-	17 927 400	17 927 400	-	17 927 400

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	17 927 400	17 927 400

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	17 927 400	17 927 400

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain investment property with a carrying value of R 17 927 400 (2010: R 17 927 400) was recognised at provisional amounts. Carrying amounts of investment property carried at provisional amounts are as follows:

Due to initial adoption of GRAP 16

Investment property	17 927 400	17 927 400

Steps taken to establish the values of investment property recognised at provisional amounts due to the initial adoption of GRAP 16, is as follows:

The municiplaity will use the services of an accredible service provider which will assist in determining the valuation of the Property, plan and equipment.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

2. Investment property (continued)

The date at which full compliance with GRAP 16 is expected, is 30 June 2011.

Deemed cost

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	205 221 181	-	205 221 181	205 221 181	-	205 221 181
Buildings	49 874 549	(8 576 414)	41 298 135	49 641 928	(5 715 117)	43 926 811
Motor vehicles	136 498	-	136 498	-	-	-
Infrastructure	337 068 336	(71 971 396)	265 096 940	288 218 980	(61 160 884)	227 058 096
Community	51 523 615	(6 420 799)	45 102 816	51 261 040	(4 562 067)	46 698 973
Other property, plant and equipment	121 554 611	(64 239 840)	57 314 771	104 786 021	(61 495 021)	43 291 000
Capital work in progress	33 724 947	-	33 724 947	-	-	-
Other leased Assets	640 919	-	640 919	(603 213)	-	(603 213)
Tools and loose gear	43 209	-	43 209	-	-	-
Total	**799 787 865**	**(151 208 449)**	**648 579 416**	**698 525 937**	**(132 933 089)**	**565 592 848**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	205 221 181	-	-	205 221 181
Buildings	43 926 811	232 621	(2 861 297)	41 298 135
Motor vehicles	-	136 498	-	136 498
Infrastructure	227 058 096	48 849 356	(10 810 512)	265 096 940
Community	46 698 973	262 575	(1 858 732)	45 102 816
Other property, plant and equipment	43 291 000	16 768 590	(2 744 819)	57 314 771
Capital work in progress	-	33 724 947	-	33 724 947
Other leased Assets	(603 213)	1 244 132	-	640 919
Tools and loose gear	-	43 209	-	43 209
	565 592 848	**101 261 928**	**(18 275 360)**	**648 579 416**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers	Depreciation	Total
Land	221 312 581	-	(16 091 400)	-	205 221 181
Buildings	46 156 909	636 758	-	(2 866 856)	43 926 811
Infrastructure	186 123 551	52 853 874	-	(11 919 329)	227 058 096
Community	48 974 439	-	-	(2 275 466)	46 698 973
Other property, plant and equipment	37 546 797	8 126 460	-	(2 382 257)	43 291 000
Other leased Assets # 1	(603 213)	-	-	-	(603 213)
	539 511 064	**61 617 092**	**(16 091 400)**	**(19 443 908)**	**565 592 848**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2011	2010
Carrying value		
Present value of the Post Employment Medical Health Care obligation	(20 989 322)	(17 513 894)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	771 094	754 605
Past service cost	1 532 426	1 447 115
Actuarial (gains) losses	1 846 740	(612 456)
Expected return on plan assets	(674 832)	(698 502)
Total Employee Benefits Costs Paid	**3 475 428**	**890 762**

Calculation of actuarial gains and losses

Defined contribution plan

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

5. Inventories

Consumable stores	1 733 913	1 671 786

In the prior year inventories that related to a specific contract were written down to net realisable value, due to the contract expiring and the inventories being contract specific. In the current year the write down was reversed, as a new contract was obtained and the expected selling prices are in excess of original cost. Inventory is now stated at its original cost.

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain inventories with a carrying value of R 1 733 919 (2010: R 1 671 786) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:

Due to initial adoption of GRAP 12

Consumable goods	1 733 913	1 671 786

Steps taken to establish the values of inventories recognised at provisional amounts due to the initial adoption of GRAP 12, is as follows:

The municipality will employ the services of a valuator to accuratly determine the valuation method and valuation of consumables to comply with Grap 12.

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

6. Trade and other receivables from exchange transactions

Other Debtors (Incl Prepayments)	(26 378)	29 038 368
Sekhukhune Debtor	425 114 971	416 563 603
Council resolution	92 518	-
	425 181 111	**445 601 971**

Service level agreement between the District Municipality (water services authority) and the local municipality (water services provider).

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

7. VAT receivable

VAT	4 974 911	11 019 472

8. Consumer debtors

Gross balances		
Rates	6 664 531	4 114 016
Electricity	5 940 240	4 909 671
Refuse	1 107 702	881 468
Other - (Interest and other major items)	4 735 409	4 165 279
	18 447 882	**14 070 434**
Less: Provision for debt impairment		
Rates	(5 137 701)	(2 497 552)
Electricity	(1 061 505)	(1 178 942)
Refuse	(682 624)	(624 169)
Other - (Interest and other major items)	(3 280 859)	(2 831 604)
	(10 162 689)	**(7 132 267)**
Net balance		
Rates	1 633 139	1 616 464
Electricity	4 878 735	3 730 729
Refuse	425 078	257 299
Other - (Interest and other major items)	1 348 244	1 333 675
Total net consumer debtors balance	**8 285 196**	**6 938 167**
Rates		
Current (0 -30 days)	729 665	852 704
31 - 60 days	227 347	450 717
61 - 90 days	71 258	313 043
91 - 120 days	48 807	-
121 - 365 days	180 056	-
> 365 days	269 697	-
	1 526 830	**1 616 464**
Electricity		
Current (0 -30 days)	2 955 135	1 845 891
31 - 60 days	1 071 553	671 033
61 - 90 days	294 309	263 447
91 - 120 days	131 980	950 358
121 - 365 days	253 512	-
> 365 days	172 216	-
	4 878 705	**3 730 729**
Refuse		
Current (0 -30 days)	177 571	50 176
31 - 60 days	65 887	16 200
61 - 90 days	21 354	55 845
91 - 120 days	12 104	135 078
121 - 365 days	45 997	-
> 365 days	103 165	-
	426 078	**257 299**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

8. Consumer debtors (continued)

Other		
Current (0 -30 days)	477 295	1 333 675
31 - 60 days	266 187	-
61 - 90 days	101 739	-
91 - 120 days	79 589	-
121 - 365 days	95 243	-
> 365 days	306 099	-
	1 326 152	**1 333 675**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(7 132 266)	(3 162 839)
Contributions to provision	(3 159 544)	(3 969 427)
	(10 291 810)	**(7 132 266)**

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R 18 447 882 (2010: R14 070 434) were impaired and provided for.

The amount of the provision was - R10 291 810 (2010: -R 7 132 266).

Figures in Rand	2011	2010

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 019	3 312
Bank balances	34 646 852	50 733 690
	34 649 871	**50 737 002**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
ABSA BANK - Cheque Account (Acc no 900000049	11 955 442	1 777 627	9 815 684	122 124
ABSA BANK - Cheque (PHP) (Acc no 4058848103)	313 317	418 672	313 317	892 060
Absa Bank Limited Call Account (Acc no 4068316809)	382 934	55 792	382 934	55 792
Absa Bank Limited 90 Days (Acc no2068908040)	-	2 000 000	-	2 000 000
Investec Asset Management: Corporate Money Market Fund (Acc No 338545/763175)	6 287 060	20 711 573	6 287 060	20 711 573
Sanlam Investment Management: Corporate Money Market Fund (Acc No GGMKON)	7 847 857	26 952 141	7 847 857	26 952 141
Stanlib (Standard Bank Corporate Money Market)	10 000 000	-	10 000 000	-
Total	**36 786 610**	**51 915 805**	**34 646 852**	**50 733 690**

10. Other financial liabilities

Held at amortised cost

Finance lease liability	2 764 323	2 786 004
Non-current liabilities		
At amortised cost	2 764 323	2 786 004

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastrcture Grant (MIG)	-	(440 924)
MunicipalL Finance Management Grant (FMG)	-	54
Municipal System Improvement Grant (MSIG)	(13 777)	(86 211)
Land Affairs Grant	466 250	425 210
DPLG/PHP Housing Grant	422 639	891 946
Ward Committee Grant	(96 777)	(96 777)
EPWP Grant	330 000	-
	1 108 335	**693 298**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

11. Unspent conditional grants and receipts (continued)

See note 18 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

12. Long service leave provisions

Reconciliation of long service leave provisions - 2011

	Opening Balance	Current Service Cost	Benefit Vestings	Interest Cost	Actuarial Loss / (Gain)	Total
Provision for leave	1 265 319	224 048	(184 738)	95 861	(54 538)	1 345 952

Reconciliation of long service leave provisions - 2010

	Opening Balance	Current Service Cost	Benefit Vestings	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation	1 578 280	(1 578 280)	-	-	-	-
Provision for leave	1 057 024	129 414	(46 682)	83 839	41 724	1 265 319
	2 635 304	**(1 448 866)**	**(46 682)**	**83 839**	**41 724**	**1 265 319**

Transitional provisions

13. Trade and other payables from exchange transactions

	2011	2010
Trade payables	6 044 781	6 888 258
Accrued leave pay	3 997 161	2 999 416
Accrued bonus	1 314 293	1 140 088
Retention fees	6 988 348	5 007 555
	18 344 583	**16 035 317**

14. Consumer deposits

	2011	2010
Deposits held	3 031 424	2 805 377

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

15. Revenue

Property rates	10 705 580	10 735 965
Service charges	42 320 489	33 598 508
Rental of facilities & equipment	683 186	1 328 837
Fines	2 408 020	658 290
Licences and permits	4 267 692	5 053 285
Government grants & subsidies	128 528 257	143 673 000
	188 913 224	**195 047 885**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	42 320 489	33 598 508
Rental of facilities & equipment	683 186	1 328 837
Licences and permits	4 267 692	5 053 285
	47 271 367	**39 980 630**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10 705 580	10 735 965
Fines	2 408 020	658 290
Transfer revenue		
Levies	128 528 257	143 673 000
	141 641 857	**155 067 255**

16. Property rates

Rates received

Property Rates Levied	16 460 575	16 214 462
Less: Income forgone	(5 754 995)	(5 478 497)
	10 705 580	**10 735 965**

Valuations

Residential	974 746 600	294 470 659
Commercial	1 225 564 644	470 838 744
State	110 553 000	82 102 694
Municipal	134 964 500	9 079 028
	2 445 828 744	**856 491 125**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2010.

17. Service charges

Sale of Electricity	36 999 179	28 308 048
Agency fee - Sekhukhune	2 653 260	2 811 810
Sewerage & Sanitation charges	540 729	698 154
Refuse Removal	2 127 321	1 780 496
	42 320 489	**33 598 508**

Figures in Rand	2011	2010

18. Government grants and subsidies

Equitable Share	100 148 561	82 493 998
Municipal Infrastructure Grant (MIG)	23 702 076	21 112 656
Financial Management Grant (FMG)	1 000 054	873 157
Municipal System Improvement Grant (MSIG)	677 566	895 105
Land Affairs Grant	-	366 750
Premiers Infrastructure Grant	-	171 866
Ward Committee Insentive Grant	-	1 129 500
DPLG/PHP Grant	-	1 917 056
DME - National Electrification Grant	3 000 000	1 742 466
Government Grant from IMFO Reserves - Sekhukune District Assets	-	32 970 446
	128 528 257	**143 673 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	(440 924)	4 361 434
Current-year receipts	24 143 000	14 626 000
Conditions met - transferred to revenue	(23 702 076)	(19 428 358)
	-	**(440 924)**

Conditions still to be met - remain assets (see note 11)

Municipal Finance Management Grant

Balance unspent at beginning of year	54	403
Current-year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(1 000 054)	(750 349)
	-	**54**

Conditions still to be met - remain liabilities (see note 11)

Municipal Systems Improvement Grant

Balance unspent at beginning of year	(86 211)	68 789
Current year receipts	750 000	735 000
Conditions met - transferred to revenue	(677 566)	(735 000)
Surrendered to National Treasury as unspent	-	(155 000)
	(13 777)	**(86 211)**

Conditions still to be met - remain liabilities (see note 11)

Land Affairs

Balance unspent at beginning of year	425 210	(289 065)
Current-year receipts	41 040	1 081 025
Conditions met - transferred to revenue	-	(366 750)
	466 250	**425 210**

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Government grants and subsidies (continued)

DPLG Housing Grant

Balance unspent at beginning of year	891 946	2 776 923
Other	(469 307)	(1 884 977)
	422 639	**891 946**

The PHP / DPLG Housing grant is an administrative arrangement whereby the Municipality only administrate the funds on behalf of the DPLG. The grant is allocated on an agency principal basis with the Municipality as agent. The grant expenditure and rereceipts are thus not transfer payments that will result in revenue for the Municipality. The amount is thus not transferred to revenue and expenditures in the statement of financial position when it occurs. The account is a trust fund only.

DME - National Electrification Grant

Balance unspent at beginning of year	-	1 066
Current-year receipts	3 000 000	1 742 400
Conditions met - transferred to revenue	(3 000 000)	(1 742 466)
Other	-	(1 000)
	-	**-**

Sekhukhune District

Balance unspent at beginning of year	(96 777)	-
Current-year receipts	-	914 598
Conditions met - transferred to revenue	-	(1 011 375)
	(96 777)	**(96 777)**

Conditions still to be met - remain liabilities (see note 11)

EPWP Grant

Current-year receipts	330 000	-

Government Grants from IMFO Reserves - Sekhukune District Assets

Current-year receipts	-	32 970 446
Conditions met - transferred to assets	-	(32 970 446)
	-	**-**

The amounts of the grant relates to assets purchased with Grant funds from Revenue / Own Funds and / Government. The "unspent" Ct part of the grant was always kept in the Non Distributable Reserves (CONTRIBUTION FROM REVENUE GENERAL) as well as the (GENERAL CAPITAL CONTRIBUTION STATE & GENERAL) Reserves. As these assets were capitalised for the 2010 year all revenue related to the conditions have been met and can be allocated to revenue. The Grants will also clear in the Statement of Changes of Equity as they are now redundant. Prior year disclosure cleared assets and reserves to accumulated surplus incorrectly. (see note 11)

Premier Infrastructure Grant

Balance unspent at beginning of year	-	171 866
Conditions met - transferred to revenue	-	(171 866)
	-	**-**

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Government grants and subsidies (continued)

Grant 14

Conditions still to be met - remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. Other revenue

Other income	2 708 508	6 053 759

20. General expenses

Advertising	143 349	275 682
Auditors remuneration	1 650 505	1 658 618
Bank charges	148 840	189 548
Chemicals	31 503	68 800
Community services	1 289 667	835 694
Conferences and seminars	716 352	574 695
Consulting and professional fees	3 421 097	6 198 725
Consumables	1 840 993	954 643
Delegates expenditure	153 013	366 750
Electricity	-	300
Entertainment	241 197	199 483
IT expenses	87 677	18 462
Insurance	667 510	701 414
Lease rentals on operating lease	1 615 369	2 806 503
Marketing	-	24 300
Motor vehicle expenses	1 663 382	1 157 078
Pest control	6 487	19 383
Postage and courier	63 704	82 950
Printing and stationery	1 164 683	657 578
Promotions	465 000	-
Protective clothing	149 642	95 112
Refuse	1 229 429	1 316 725
Security (Guarding of municipal property)	4 338 114	2 135 096
Staff welfare	-	91 633
Stock adjustment	6 555	178 231
Subscriptions and membership fees	308 754	319 073
Telephone and fax	4 705 576	2 481 127
Town planning	1 385 546	921 053
Training	424 730	409 471
Transport and freight	32 163	-
Travel - local	289 788	268 707
Uniforms	46 161	27 682
	28 286 786	**25 034 516**

21. Operating surplus/(deficit)

Operating surplus/(deficit) for the year is stated after accounting for the following:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Operating surplus/(deficit) (continued)

Operating lease charges

Equipment		
• Contractual amounts	1 615 369	2 806 503

Actuarial (Loss) gain on employee benefit Obligation	(1 884 652)	698 502
Actuarial (Loss) gain on employee benefit Obligation - long service awards	54 538	(41 724)
Depreciation on property, plant and equipment	18 275 361	19 443 904
Employee costs	69 140 537	52 127 446

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. Employee related costs

Basic	29 472 346	21 798 211
Bonus	942 530	484 644
Medical aid - company contributions	1 905 492	1 790 114
UIF	268 378	220 318
SDL	463 158	358 671
Leave pay provision charge	3 599 311	2 554 661
Post-employment benefits - Pension - Defined contribution plan	5 663 104	4 375 552
Overtime payments	1 347 363	717 527
Long-service awards	1 532 426	1 447 605
Current Service Cost - Post Employment Medical Aid Cont	771 094	754 115
Acting allowances	499 958	75 485
Transport allowance (bus coupons)	2 187 544	2 066 798
Holiday Bonus	224 048	129 414
Bonusses and Housing Allowances	42 094	119 806
Funeral Plan Contributions Pensioner	492	1 144
Termination Benefit - Municipal Manager	3 322 014	-
Termination Benefit - Chief Financial Officer	2 903 973	-
	55 145 325	**36 894 065**

Not Included in the above balances is remuneration for the following municipal employees:

Remuneration of Municipal Manager

Annual Remuneration including benefits and allowances	315 348	557 633
Car Allowance	52 500	90 000
Performance Bonuses	-	73 010
Contributions to Pension Funds	76 301	121 706
Travelling and Subsistance	-	2 187
Contribution to Medical Aid	34 108	53 489
Contribution to UIFand SDL	4 606	8 019
Acting Allowance	62 567	-
	545 430	**906 044**

In January 2011 a settlementt package was paid to themunicipal managerr to an amount of R3 322 014. As from the period 1 January 2011 to 30 June 2011 the municipal manager was replaced with an acting officer.

Remuneration of Chief Finance Officer

Annual Remuneration including benefits and allowances	315 348	513 388
Car Allowance	59 208	101 499
Contributions to Pension Funds	15 767	8 222
Contribution to UIFand SDL	4 293	7 232
Acting Allowance	201 213	-
	595 829	**630 341**

In January 2011 a settlement package was paid to the chief financial officer to an amount of R2 903 973. As from the period 1 January 2011 to 30 June 2011 the chief financial officer was replaced with an acting officer.

Corporate and human resources (corporate services)

Annual Remuneration including benefits and allowances	489 696	448 348
Car Allowance	84 000	82 909
Contributions to UIF, Medical and Pension Funds	36 727	33 628
Travelling and Subsistance	1 574	9 289
Contribution to UIFand SDL	6 699	6 243
	618 696	**580 417**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. Employee related costs (continued)

Health, safety and social services (emergency management services)

Annual Remuneration including benefits and allowances	378 762	330 287
Car Allowance	111 000	73 816
Performance Bonuses	-	19 267
Contributions to Pension Funds	56 814	50 646
Travelling and Subsistance	9 172	-
Contribution to Medical Aid	18 331	35 926
Contribution to UIFand SDL	5 906	1 168
	579 985	**511 110**

Procurements and infrastructure (planning, transport and environmental affairs)

Annual Remuneration including benefits and allowances	526 031	484 293
Car Allowance	84 000	84 000
Contribution to UIFand SDL	7 479	6 945
	617 510	**575 238**

Economic Development and Planning

Annual Remuneration including benefits and allowances	-	573 574

23. Remuneration of councillors

Executive Mayor	585 213	571 810
Speaker	468 031	480 834
Councillors	9 984 548	10 404 013
	11 037 792	**11 456 657**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

24. Debt impairment

Contributions to debt impairment provision	3 159 544	4 839 680

25. Investment revenue

Interest revenue		
Bank and investments	3 868 844	5 702 321
Interest charged on trade and other receivables	1 867 815	856 308
	5 736 659	**6 558 629**

26. Depreciation

Property, plant and equipment	18 275 361	19 443 904

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Finance costs

Trade and other payables	277 125	(190 456)
Bank and long term loans	-	9 579
	277 125	**(180 877)**

28. Auditors' remuneration

Fees	1 650 505	1 658 618

29. Grants and subsidies paid

Other subsidies		
Indigent grants	841 896	677 628
PHP Expenditure	109 317	1 917 056
FMG Grant Expenditure	1 417 785	863 861
	2 368 998	**3 458 545**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

30. Bulk purchases

Electricity	29 029 167	20 606 485

31. Cash generated from/(used in) operations

Surplus / (deficit)	35 358 442	78 800 325
Adjustments for:		
Depreciation	18 275 361	19 443 904
Gain (loss) on sale of assets and liabilities	1 884 652	(698 502)
Fair value adjustments	(54 538)	41 724
Debt impairment	3 159 544	4 839 680
Movements in retirement benefit assets and liabilities	3 475 428	890 762
Movements in provisions	80 633	(1 369 985)
Changes in working capital:		
Inventories	(62 127)	(567 203)
Trade and other receivables from exchange transactions	20 420 860	(16 822 663)
Consumer debtors	(4 506 573)	(5 389 146)
Trade and other payables from exchange transactions	2 309 261	6 407 893
VAT	6 044 561	(9 030 900)
Unspent conditional grants and receipts	415 037	(6 398 117)
Consumer deposits	226 047	427 171
	87 026 588	**70 574 943**

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	7 716 804	1 507 486
• Retentions	-	2 595 283
	7 716 804	**4 102 769**

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

33. Contingencies

There is no reimbursement from any third parties for potential obligations of the municipality.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

34. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Post employment benefit plan for employees and/or other related parties	Municipal Gratuity Fund
The water and sanitation functions as demarcated in the Demarcation Act is performed by the Local Municipality on behalf of the District Municipality.	
The agreement is structured as an agency principal relationship with the District Municipality being the Water Service Authority.	

Related party balances

	2011	2010
Loan accounts - Owing (to) by related parties		
Sekhukhune District Municipality: Receivables	420 160 482	416 563 603
Other		
Department of Roads and Transport: License Fees	8 165 177	3 238 635
Sekhukhune District Municipality: Agency fees	4 954 489	3 109 752
Compensation to accounting officer and other key management		
Post-employment benefits - Pension - Defined contribution plan	9 251	80 503

35. Prior period errors

The following prior year error was identified and adjusted retrospectively:

-

The correction of the error(s) results in adjustments as follows:

	2011	2010
Statement of financial position		
Inventory: Investment Property: Ring fencing of Internal funds	-	16 091 400
Long Service Leave Provision	-	1 057 024
Accumulated Surplus or Deficit - Restatement Leases	-	(19 526 811)
Accumulated Surplus or Deficit: Opening: Clearing of salary suspense	-	(21 731 644)
Investment property; Ring fenceing of Internal funds	-	(16 091 400)
Cash & Bank: Prior years incorrect Salary suspense clearing to Bank	-	21 731 644
Provisions: 13th cheque - Bonus	-	(1 140 088)
Employee benefit - Post Employment Health Care	-	16 623 132
	-	**(2 986 743)**
-Statement of Financial Performance		
Property rates	-	(656 778)
Employee related costs	-	1 140 088
Post Employment Health Care Benefit	-	1 589 264
Long Service Awards	-	166 571
General expenses	-	747 598
	-	**2 986 743**

36. Comparative figures

Where necessary, comparitive figures have been reclassified to conform to changes in presentation in the current year.

37. Risk management

Capital risk management

37. Risk management (continued)

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , 10, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

38. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Unauthorised expenditure

	2011	2010
Unauthorised expenditure	10 886 830	-

Unauthorised expenditure relates amounts where actual expenditure exceeded the budgeted funds.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

40. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure Interest paid on late payment 2010	8 448	8 448
Fruitless and wastefull expenditure Severance Packages	6 225 987	-
Fruitless and wasteful expenditure Interest paid on late payment 2011	23 444	-
Fruitless and wasteful expenditure IT Equipment Unsuitable and Not Completed	2 611 545	-
	8 869 424	**8 448**

Current year fruitless and wasteful expenditure relates to penalties and interest on the late payment of suppliers R 23 444 2011.

The contracts for the Municipal Manager and Chief Financial Officer were terminated during the Financial Year. Severance packages amounting to R 6 225 987

Fruitless and wastefull expenditure was incurred with the purchase of an IT server room and related IT equipment.

41. Irregular expenditure

Opening balance	172 293	-
Add: Irregular Expenditure - current year	-	172 293
	172 293	**172 293**

Analysis of expenditure awaiting condonation per age classification

Details of irregular expenditure – current year

-

Details of irregular expenditure condoned

	Condoned by Council	
Refuse Removal extention on month to month		688 040
Security Services on month to month		1 626 198
Insurance - One Year extention		759 175
		3 073 413

Details of irregular expenditure recoverable (not condoned)

-

Details of irregular expenditure not recoverable (not condoned)

Municipal System Act not adhered to	151 007
Supply Chain Management regulations not adhered to	21 286
	172 293

42. Additional disclosure in terms of Municipal Finance Management Act

SALGA Fees

Current year subscription / fee	315 590	352 470
Amount paid - current year	(315 590)	(352 470)
	-	-

PAYE and UIF

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

42. Additional disclosure in terms of Municipal Finance Management Act (continued)

Current year subscription / fee	7 177 969	4 713 615
Amount paid - current year	(7 177 969)	(4 713 615)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	13 311 511	11 277 973
Amount paid - current year	(13 311 511)	(11 277 973)
	-	-

VAT

VAT receivable	4 974 911	11 019 472

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Madihlaba MM	5 248	17 824	23 072
Cllr Matlala MS	354	1 430	1 784
	5 602	**19 254**	**24 856**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. No deviation was identified.

43. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	2 764 323	2 786 004

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

44. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Elias motsoaledi local municipality

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	205 221 181	-	-	-	-	**-**	**205 221 181**	-	-	-	-	-	**-**	205 221 181
Buildings	49 641 928	1 788 686	-	-	-	**-**	**51 430 614**	(5 715 117)	-	-	(2 861 297)	-	**(8 576 414)**	42 854 200
	254 863 109	**1 788 686**	**-**	**-**	**-**	**-**	**256 651 795**	**(5 715 117)**	**-**	**-**	**(2 861 297)**	**-**	**(8 576 414)**	**248 075 381**
Infrastructure														
Roads, Pavements, Bridges & Capital Work in Progress	287 615 767	79 142 367	-	-	-	**-**	**366 758 134**	(61 160 884)	-	-	(10 810 512)	-	**(71 971 396)**	294 786 738
	287 615 767	**79 142 367**	**-**	**-**	**-**	**-**	**366 758 134**	**(61 312 092)**	**-**	**-**	**(10 810 512)**	**-**	**(72 122 604)**	**294 635 530**

Elias motsoaledi local municipality

Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Community & Other property, plant and equipment	156 047 061	20 330 873	-	-	-	-	**176 377 934**	(66 057 088)	-	-	(4 603 551)	-	**(70 660 639)**	105 717 295
	156 047 061	**20 330 873**	**-**	**-**	**-**	**-**	**176 377 934**	**(66 057 088)**	**-**	**-**	**(4 603 551)**	**-**	**(70 660 639)**	**105 717 295**
Total property plant and equipment														
Land and buildings	254 863 109	1 788 686	-	-	-	-	**256 651 795**	(5 715 117)	-	-	(2 861 297)	-	**(8 576 414)**	248 075 381
Infrastructure	287 615 767	79 142 367	-	-	-	-	**366 758 134**	(61 312 092)	-	-	(10 810 512)	-	**(72 122 604)**	294 635 530
Other assets	156 047 061	20 330 873	-	-	-	-	**176 377 934**	(66 057 088)	-	-	(4 603 551)	-	**(70 660 639)**	105 717 295
	698 525 937	**101 261 926**	**-**	**-**	**-**	**-**	**799 787 863**	**(133 084 297)**	**-**	**-**	**(18 275 360)**	**-**	**(151 359 657)**	**648 428 206**
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Total														
Land and buildings	254 863 109	1 788 686	-	-	-	-	**256 651 795**	(5 715 117)	-	-	(2 861 297)	-	**(8 576 414)**	248 075 381
Infrastructure	287 615 767	79 142 367	-	-	-	-	**366 758 134**	(61 312 092)	-	-	(10 810 512)	-	**(72 122 604)**	294 635 530
Other assets	156 047 061	20 330 873	-	-	-	-	**176 377 934**	(66 057 088)	-	-	(4 603 551)	-	**(70 660 639)**	105 717 295
	698 525 937	**101 261 926**	**-**	**-**	**-**	**-**	**799 787 863**	**(133 084 297)**	**-**	**-**	**(18 275 360)**	**-**	**(151 359 657)**	**648 428 206**

Appendix C
June 2011

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Finance & Admin/Finance	711 984	-	-	-	-	**-**	**711 984**	(151 208)	-	-	-	-	**(151 208)**	560 776
Waste Water Management/Sewerage	136	-	-	-	-	**-**	**136**	-	-	-	-	-	**-**	136
	712 120	**-**	**-**	**-**	**-**	**-**	**712 120**	**(151 208)**	**-**	**-**	**-**	**-**	**(151 208)**	**560 912**
Municipal Owned Entities														
Total														
Municipality	712 120	-	-	-	-	**-**	**712 120**	(151 208)	-	-	-	-	**(151 208)**	560 912
	712 120	**-**	**-**	**-**	**-**	**-**	**712 120**	**(151 208)**	**-**	**-**	**-**	**-**	**(151 208)**	**560 912**

Elias motsoaledi local municipality
Appendix D
June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
2 327 019	18 971 571	(16 644 552)	Executive & Council/Mayor and Council	825 815	23 836 714	(23 010 899)
128 611 204	59 370 443	69 240 761	Finance & Admin/Finance	143 272 320	61 823 402	81 448 918
-	2 922 163	(2 922 163)	Planning and Development/Economic Development/Plan	4 770	5 966 467	(5 961 697)
44 654	8 453 801	(8 409 147)	Comm. & Social/Libraries and archives	31 562	11 707 818	(11 676 256)
5 711 825	5 896 495	(184 670)	Public Safety/Police	6 675 712	7 219 123	(543 411)
4 392 905	6 990 891	(2 597 986)	Waste Water Management/Sewerage	2 674 792	6 388 608	(3 713 816)
2 811 810	-	2 811 810	Water/Water Distribution	2 653 260	-	2 653 260
30 786 111	22 563 976	8 222 135	Electricity /Electricity Distribution	43 853 236	28 996 455	14 856 781
174 685 528	**125 169 340**	**49 516 188**		**199 991 467**	**145 938 587**	**54 052 880**
			Municipal Owned Entities			
			Other charges			
174 685 528	125 169 340	49 516 188	Municipality	199 991 467	145 938 587	54 052 880
174 685 528	**125 169 340**	**49 516 188**	**Total**	**199 991 467**	**145 938 587**	**54 052 880**

Elias motsoaledi local municipality
Appendix D(1)
June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2010 Act. Adj. Bal. Rand	Current year 2010 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	
Property rates	10 705 579	15 040 000	(4 334 421)	(28.8)	
Service charges	42 320 489	83 870 000	(41 549 511)	(49.5)	
Rental of facilities and equipment	683 186	551 000	132 186	24.0	
Fines	2 408 020	771 000	1 637 020	212.3	
Licences and permits	4 267 692	11 294 000	(7 026 308)	(62.2)	
Government grants & subsidies	128 528 257	112 090 000	16 438 257	14.7	
Other income	2 708 508	8 294 000	(5 585 492)	(67.3)	
Interest received - investment	5 736 659	4 543 000	1 193 659	26.3	
	197 358 390	236 453 000	(39 094 610)	(16.5)	
Expenses					
Personnel	(58 102 774)	(49 678 907)	(8 423 867)	17.0	
Remuneration of councillors	(11 037 762)	(12 629 609)	1 591 847	(12.6)	
Administration	(2 039 345)	(1 248 045)	(791 300)	63.4	
Depreciation	(18 275 360)	(2 200 000)	(16 075 360)	730.7	
Finance costs	(277 125)	-	(277 125)	-	
Debt impairment	(3 159 544)	(2 593 999)	(565 545)	21.8	
Repairs and maintenance - General	(7 592 972)	(10 180 984)	2 588 012	(25.4)	
Bulk purchases	(29 029 167)	(22 687 386)	(6 341 781)	28.0	
Grants and subsidies paid	(2 368 998)	(7 285 013)	4 916 015	(67.5)	
General Expenses	(28 286 787)	(47 152 102)	18 865 315	(40.0)	
	(160 169 834)	(155 656 045)	(4 513 789)	2.9	
Other revenue and costs	(1 830 114)	-	(1 830 114)	-	
Net surplus/ (deficit) for the year	35 358 442	80 796 955	(45 438 513)	(56.2)	

Appendix E(2)
June 2011

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	
Other charges					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	

Elias motsoaledi local municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
Monthly Rep. Per.
June 2011

Name of Grants	**Quarterly Receipts**				**Quarterly Expenditure**						**Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act**
											Yes/ No
MSIG	-	750 000	-	-	-	-	-	-	-	-	Yes
MIG	-	5 000 000	-	-	-	1 236 000	12 143 000	-	-	-	Yes
FMG	1 000 000	-	-	-	-	-	-	-	-	-	Yes
Land Affairs	-	-	-	-	-	15 390	5 130	-	-	-	Yes
Housing Grant	-	-	-	-	-	-	-	-	-	-	Yes
Premier Infras	-	-	-	-	-	-	-	-	-	-	Yes
DME	-	-	-	-	640 000	915 000	179 000	30 000	-	-	Yes
Ward Committee	-	-	-	-	-	-	-	-	-	-	Yes
	1 000 000	5 750 000	-	-	640 000	2 166 390	12 327 130	30 000	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.